Militarism, Democracy and People's Right to Information

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It is no great insight that we live in a world of conflict and confrontation, and that one crucial element of it is class war. Class war has many dimensions and complexities, but in recent years the lines have been drawn very sharply. To oversimplify, but not too much, on the one side there are concentrated power centres, state and private, very closely linked. On the other side is much of the population world-wide. Though one can't estimate with any precision, I think it is fair to guess that a large majority of the world population is unable to get involved in issues of broad significance, as this requires a degree of privilege. As for concentrated power centres, they pursue their war relentlessly. They never stop. They use every opportunity to press their agenda forward in the harshest possible way. In particular they use crises, whether it's an earthquake or a war or September 11th and its aftermath. And in such circumstances, you can expect and you discover that they exploit the atmosphere of fear and anguish. They hope that their popular adversary will be distracted, focus attention elsewhere, be frightened, while they continue to pursue their programmes without any pause - in fact intensifying them, using the window of opportunity. And that's what is happening right now.

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The adversary should of course refuse to accept this cynical framework. It should focus its efforts, also relentlessly, on the primary issues which remain as they were before the latest crisis. The issues include the threat of militarism, which is indeed a threat to the survival of the species at this point, and a far-reaching assault against democracy and freedom, which has been part of the core of the neoliberal programme for the past 20-25 years.

Well those are the things I'd like to talk about. Everything of course is open for later discussion, so don't feel constrained by that. But I can't really bring myself to turn to those topics without at least a word on the immense human tragedy that is unfolding before us right now. This tragedy is being planned and implemented very consciously by the United States and its allies since September 11th. The High Commissioner for Human Rights of the United Nations, Mary Robinson, was not exaggerating when she pleaded with the United States to stop the bombing and warned that if it continued there could be a Rwanda-style slaughter. In fact, she might have been underestimating. According to US estimates, the number of people at risk of starvation, which was about five million, has increased by 50 per cent since the bombing started. That's two and a half million people who are being pushed right across the border of death from starvation. Mary Robinson's appeal was of course rebuffed. It was also unrecorded. Literally, it received three scattered sentences in the entire US press. Other appeals from senior UN officials, aid agencies and others were not even mentioned.

On September 16th, that's just five days after the terrorist attacks in New York and Washington, the US demanded of Pakistan that it terminate food

supplies to Afghanistan. The country has been on a kind of a lifeline. And as one aid worker said afterwards, we've just cut the lifeline. The decision on September 16th to cut food supplies was a conscious, determined decision to starve several million people to death. Again, there was no reaction. The next day, as it happens, I was on national radio and television around Europe. No-one was aware of this decision or could think of a single reaction to it in their own country. There was no reaction in the United States. So apparently it's considered entirely normal for western civilization to make a decision to kill two and a half million people within a few months. And that shouldn't surprise anyone who is familiar with history. It is in fact normal, which is why there is no reaction to the silent genocide that may be under way.

Already before the bombing, the UN Food and Agriculture Organization had warned that the threat of bombing had driven out the aid agencies, and driven people out of the cities into the countryside in fear and desperation, and that a humanitarian catastrophe was taking place. After the bombings began, the FAO further reported that about 80 per cent of the crop plantings had been disrupted, which means an even more severe famine for the next spring. The bombing itself has turned major cities into ghost towns. About 70 per cent of the population has fled. As in other cases, like Iraq and Serbia, the bombing is directed against power stations, electrical supplies, water supplies, sewage systems, and so on. That's a form of biological warfare. That's exactly what it means to do this in an urban area. The population either flees to the borders, which are mostly closed, or to the countryside, where they are heading into the most heavily mined areas in the world. Even in normal times, the mines cause ten to twenty deaths or injuries every day, often among children. Now the

casualties are increasing sharply. One reason is that the UN has been compelled to terminate its mine-clearing operations. Another reason is that the mines are now superseded by much more lethal weapons, namely the cluster bombs dropped by the US. These are anti-personnel weapons, which are designed to murder people. They don't affect tanks or buildings or anything like that. They are little things that a child will pick up or a farmer will hit with a hoe, and then they explode and send flashes that tear them to shreds. And they're extremely hard to dismantle. Some areas where they've been used in the past - like Vietnam and Laos, in what was then the heaviest bombing in history, in an isolated peasant society - are still littered with millions of cluster bombs, and hundreds or thousands of people are killed there every year. The manufacturer says 20 to 30 per cent of them don't explode, which can mean only one of two things: either incredibly incompetent quality control or else a purposeful concern to murder civilians. You can take your choice.

All this is happening essentially without comment because in a way it's kind of normal, that's what the West has been doing to the rest of the world for hundreds of years. But the millennium begins with two monstrous atrocities: the terrible terrorist crime of September 11th, and an even worse atrocity that's following it, namely a purposeful, conscious programme of mass murder, which may have excruciating dimensions. And while this is regrettably normal business in Europe and its offshoots, it's kind of remarkable to see that a country like India, which has been subjected to this torture for hundreds of years and might be expected to have some appreciation of what it means, is nevertheless enthusiastically joining the bandwagon.

These accumulating horrors bear very directly on the question of people's right to information. It's extremely important to insure that that right is denied. So the facts I have just mentioned, though not really controversial, are almost totally unknown in the United States. Not one person in a million is aware of them. And there is a good reason for that: if people did have the slightest idea of what is being done in their names, there would be mass protests and policies would have to change. The United States is a very free country, it's uniquely free - I think the freest country in the world - with regards to the right to information. And the task of suppression of that right is not undertaken by the state. The state may try now and then, but it is pretty ineffectual. The task of depriving the population of information is the solemn duty of the intellectuals, of the educated classes. It is what you're trained for when you go to a good university. Ensuring that the right to information is denied is also the task of the free press. That's why facts like these remain unknown. You can't carry out a mass genocide if the population is aware of what is being done. And when these controls break down, you do get strong popular reactions. Well we're now living through this, it's not the first case by any means, we're now living through an illustration, which is so shocking that words fail, at least my words. It's not novel, we should be aware of that, and nor is it restricted to the United States and Europe. It goes back through history, as does the role of the priesthood, either religious or - in modern days - secular priesthood.

Well, with these hopelessly inadequate words on a crime that we should be working day and night to try to bring to a quick end, let's turn to the topics at hand. Perhaps the best way to approach them is within the framework of this fashionable notion of globalization. But before doing

that it's important to clarify what globalization means. Like most terms of political discourse, this one has a literal meaning and a propagandistic meaning. In the literal sense, globalization just means international integration, mostly economic integration. And that's neither good nor bad in itself, just as trade is neither good nor bad in itself. It depends on what the human consequences are. It can be done in many different ways. That's the general meaning. The propagandistic meaning of globalization, which is used and enforced by concentrated power, refers to a very specific form of international integration: one which has been implemented with considerable intensity in the past twenty-five years or so, and which is designed in the interests of private concentrations of power. The interests of others are incidental. They may gain, they may lose, it doesn't really matter. The fact of the matter is that most of them lose, but that's just an incidental consequence.

So that's the propagandistic sense of globalization. And with that ridiculous terminology in place, the great mass of the people of the world who object can be labelled as "anti-globalization". They must be primitivists who want to go back to the stone age and are resisting inevitable forces. They want to harm the poor. I'm sure you're familiar with these and other terms of abuse. Opponents of globalization, I think, make a very great mistake if they accept this framework of power and agree to call themselves "anti-globalization". No one sensible is opposed to international integration, least of all the left. The left has been animated by a vision of globalization since it's origins, certainly it's modern origins. The whole vision of the left has been one of internationalism, of international solidarity and cooperation. And there have been very important strides in this direction, many achievements in recent years. We

should be committed to that. We should be committed to far-reaching globalization, but designed to improve the lives and opportunities of people, of the people of the world and the people of future generations. That's a task that cannot be put off . These are not empty words. The possibilities for moving forward are very real, they are illustrated in many ways. The by now annual meetings at Porto Alegre in Brazil are important expressions of this. They bring together a very broad international constituency - Brazilian workers, the landless workers' movement, North American unionists, environmentalists, peasant movements, women's rights activists, many others. A very wide range of people who in the past have had nothing much to do with one another. They went in separate paths, but are now moving forward together in impressive ways, thanks to a constructive form of globalization that we ought to support, and this is part of the traditional vision of the left. Their actions are in part defensive, defending themselves against attack, but in part quite constructive, working on ways to dismantle concentrated power systems to extend popular control worldwide. That's the form of globalization that should be pursued, at least by people who want to create a world in which a decent person would want to live.

The specific form of globalization that is being officially pursued is quite different. That's called, as you know, neoliberal. That term, too, is highly misleading. What it refers to is not new, and by no means liberal. That should be obvious in India, more than any other place. The whole history of India for the last several hundred years is a classic example of how liberalism can be distorted into an instrument of power and destruction. And the current version of neoliberalism is similar to what destroyed India, based on a combination of imposed liberalization on India alongside

of massive state power and protectionism in the imperial power. The current version of neoliberalism also adopts the traditional double-edged doctrine of liberalism and free-trade. This doctrine says, free trade is fine for you, so that I can demolish you. But for the nanny state I'm going to insist on protection and other devices to avoid the costs of market discipline, except when the playing field is levelled, to use the standard term, which means when it's tilted so sharply in my favour that I am confident that I can win. In that case I'll favour free trade.

The fact that the new doctrines adapt the traditional ones to current circumstances should not be very surprising. Actually, it's exactly what you would expect if you look at the designers. The designers are the richest and most powerful states, the international financial institutions that follow their directives, and an array of huge corporations which are tending towards oligopoly and anti-market principles in most sectors of the economy. These mega-corporations rely heavily on the state sector, which is very dynamic in the rich and powerful countries like the United States. They rely on the state sector to socialize costs and risks, to privatize profits, and to maintain the dynamism of the economy. That's the real world economy. It's quite different from what you study in an economics class.

The designers of the system modestly call themselves the "international community". But maybe a more appropriate term is that used by the world's leading business journal, London's Financial Times, which described them as "the masters of the universe". That was last January when they were meeting in Davos, Switzerland, to organize the world. Maybe that was intended as ironic, I don't know, but it's accurate. The

masters of the universe profess to be admirers of Adam Smith, so you might expect them to abide by his description of their behaviour, although he only called them "masters of mankind" - but that was before the space age, remember. Smith was referring to the "principal architects of policy" in England, merchants and manufacturers, who, as he put it, attended to their own interests carefully and made sure that they were satisfied no matter how grievous the effects on others, including the people of England, but incidentally primarily India. He wrote with particular anger about the savagery of the English in India and especially Bengal. He stated that the principal architects followed what he called "the vile maxim of the masters of mankind", namely all for ourselves and nothing for anyone else. That's an accurate description of the masters of today's universe, who follow this model, not noticing that Smith was denouncing them, not providing a model for them.

In subsequent developments over time that would have appalled Adam Smith or any other classical liberal, these huge concentrations of power have emerged, which are basically tyrannies. The courts have assigned to them the rights of persons, immortal persons, and proceeded to attribute the rights of persons to corporate management. That's true in the United States and I think elsewhere. In recent agreements, mislabelled trade agreements, the rights of these private tyrannies have gone way beyond the rights of persons. For example General Motors can now demand and receive, under WTO rules, what's called "national treatment" in Mexico. They have to be treated as a national company. On the other hand if a Mexican of flesh and blood tried to obtain national treatment in New York, he wouldn't last very long, if he could even make it that far. So the corporate entities, the immortal persons, now have rights far beyond

human beings. They're a strange sort of person, apart from their massive scale and immortality. The recent agreements give them even further rights, which are being explored and implemented for corporate entities to undermine regulatory legislation in the United States, Canada and other countries, on the grounds that these regulations are what is called "tantamount to expropriation". To take a recent case that was won, a US corporation wanted to store toxic wastes somewhere in Mexico. The people of Mexico objected, they didn't want toxic waste stored there and they turned the area into a national park. The corporation, Metalclad, charged Mexico with actions that are "tantamount to expropriation" because they infringe on future profits of the corporation. And they won. They won in a NAFTA hearing and finally in a judicial hearing, and the judicial hearing was correct because the NAFTA rules do permit that. This is under an imaginative doctrine called "regulatory takings". Any regulation is a taking of people's rights, meaning corporate rights, because it might reduce their future profits. Well, those are no rights that a person of flesh and blood can think of, but they apply to these totalitarian institutions that dominate the international system, the masters of the universe.

All this is simply one part of a very dedicated assault against popular sovereignty, which means democracy. This assault is expected to become more severe. In the western hemisphere there are now plans for a Free Trade Area of the Americas. There was a summit of the countries of the western hemisphere last April in Quebec, with plenty of disruption and violent protest. The plans are being kept secret. Nobody knows in any detail what the plans are for the free trade area of the Americas, and it's important to ensure that they remain secret because if they become public,

opposition will be overwhelming. I'll come back to that interesting exercise in thought control in a free society.

Well, the crucial point is that the public has to be kept unaware. That's been true all along. NAFTA, the North American Free Trade Agreement, is now seven years old. To this day the press has refused to publish the official position of the labour movement on the form that NAFTA should take. That goes back to 1992, almost ten years. The press has also refused to publish the analysis of NAFTA that was done by Congress' own research bureau, the Office of Technology Assessment, which is very much like that of the labour movement. The reason is that this analysis was critical of the form of international integration that was being imposed by the masters of the universe, and therefore the public better not know about it. Because if the public knew about it, the already majority opposition to NAFTA would grow substantially as people came to understand that their own individual criticisms were in fact well grounded in substantial institutions. A central part of the neoliberal reforms is to reduce the threat of democracy in this and other ways.

I mentioned that the one participant in the class war always exploits every opportunity to institute harsh and regressive measures with unrelenting intensity. That's happening right now. The victims are told that they have to be subdued and acquiescent out of patriotism. On the other hand patriotism does not prevent the masters of the universe from using the opportunity to give new tax breaks to Enron, to mention a company you've heard of around here; to increase the military budget substantially while nobody is looking; even to institute what's called "fast-track legislation". It's interesting how the US trade representative Robert Zoellick

announced, immediately after the September 11th bombing, that the best way to combat terrorism is to implement fast-track legislation. What is fast-track legislation? Well, it's legislation that literally turns the United States into the Kremlin under Stalin. The legislation grants the executive branch the right to negotiate international treaties in secret, with no Congressional participation and of course no public knowledge. And then Congress is allowed to say yes. That's the degree of public participation. So that's fast-track legislation. It's often called "free trade legislation", and that's not entirely untrue. You couldn't pass legislation that's mislabelled free trade if the public had any participation. So it has to be done Kremlin-style. Undoubtedly Osama bin Laden will just be shaking in his boots if this legislation is passed. It's such an obvious attack against international terrorism. Well that's the kind of thing that it makes sense to press through when you have a window of opportunity and the general public can be induced to keep quiet out of so-called patriotism or fear or whatever.

All this does raise a question. It's been very obvious over the past years that opposition to corporate-led globalization is overwhelming across the world. That's been particularly dramatic in the South, where the main opposition developed. It later spread to the North where it becomes harder to ignore - so when it reaches Seattle, you can't pretend it's not happening. This raises the question why there is such massive public opposition in the United States, in England, everywhere else. It seems paradoxical because globalization, so-called, as we are told every day, has led to enormous prosperity. In the United States particularly, it has led to what's called a fairy-tale economy. Just to give one quote from the extreme left of the admissible spectrum, Anthony Lewis, writing last March in the New York

Times, said that globalization has created the greatest economic boom in American history, in fact the greatest economic boom in world history. So why are people opposed? Well, it's admitted that the process has some flaws. Not everyone is participating in the glorious experience and since we're good-hearted people, you know, especially the left, we have to be concerned about this. We have to worry about these people who lack the skills to join us in participating in the greatest economic boom in world history. And that also poses a dilemma. Why is it that this enormous prosperity that's developing and leading to fairy-tale economies is also leading to inequality? What do we do about that? Well, that picture is so conventional that it takes a bit of a wrench to recognize that it is entirely false in every respect except one. The one true statement is about rising inequality. Everything else is totally false and uncontroversially false. During the economic boom in the United States in the nineties, per-capita economic growth was about the same as in Europe. It was much less than in the pre-globalization period, the period before the neoliberal reforms of the 1970s. It was vastly less than during World War II, which saw the greatest economic boom in American history under a semi-command economy. So the question is, how can the conventional picture be so different from the absolutely uncontroversial facts? Well, the answer is very simple, and you know it very well in India. A small sector of the society has in fact benefited enormously. And that sector happens to include the people who tell everybody else the wonderful news. And they're not being dishonest. You can't accuse them of dishonesty. They have every reason to believe what they are saying. They can read it every day in the journals for which they write. Furthermore, it's exactly what they see around them. You go to an elegant restaurant or the Faculty club, or the editorial office or wherever you hang out. That's what you see.

People who are enjoying a fairy-tale economy. So there's no reason to doubt it. It's only the world that's somehow different, and who knows about that.

Let's take a quick look at the historical record on this. Economic integration - globalization in the neutral sense - increased very rapidly in the half-century or so before World War I. It stagnated between the two world wars. Then it began to pick up again after World War II. By now it's reached a level which is more or less comparable to about a century ago in gross measures, but only gross measures. If you look at the finer structure, it's quite different in interesting respects. Prior to World War I, there was much more international integration at the level of people. That is, movement of people was much freer, and those of you who care about free trade may recall that "free circulation of labour" is a foundation of free trade according to old-fashioned radicals like Adam Smith. So the movement of people is cut back a lot by state regulation. On the other hand, the free flow of short-term speculative capital has risen to astronomical levels, way beyond anything in the past. This contrast reflects the central features of contemporary globalization. It expresses the relative value of people and capital. Capital has priority and people are incidental. Note that this is exactly the opposite of classical economics, from Adam Smith to David Ricardo. Both insisted that people should be mobile and capital should be immobile. Everyone's heard of Adam Smith's invisible hand and how wonderful it is. But apparently, not many people have read the one passage in The Wealth of Nations where he uses the phrase. It appears once, and it appears in the course of an argument against capital mobility and imports – against neoliberalism. He argues that the invisible hand will prevent this disaster from happening.

Somehow this passage has been suppressed. There are other interesting differences between economic integration in these two periods, I'll come back to some of them.

There is also a more technical definition of globalization, whereby globalization is measured by convergence to a single market, to a single price and wage around the world. Well, that's exactly the opposite of what has happened. Gloablization has gone in exactly the opposite direction, creating enormous inequality. So there's a theory on one side, and there's a real world on the other side. And that's expected to continue. The US Intelligence Services recently put out a document, a projection for the next fifteen years, with the cooperation of academic specialists in the business world. The document describes various possible scenarios for what's ahead. The most optimistic scenario, it says, is that globalization will continue "on course", I'm quoting now, "its evolution will be rocky, marked by chronic financial volatility and a widening economic divide". That means there'll be less globalization in the technical sense, but more globalization in the doctrinally approved sense. Wealth for the rich. Financial volatility, of course, means slower growth. So the best scenario, best possible scenario is even slower growth and much less globalization in the technical sense, meaning more globalization in the sense that they like.

Military planners adopt exactly the same assumptions. There's now a vast expansion of armaments going on, primarily in the United States. Since September 11th it's been escalated, using the window of opportunity. And there's a reason. If you look at the planning documents of the past years, they make the same prediction: they predict, in contrast with economic

theory but consistent with reality, that globalization is going to lead to an increasing divide between a small number of haves and a large number of have-nots. And that raises a problem, a problem that has the technical name "enforcing stability". Here stability means "you do what I tell you or else", and it's hard to enforce stability when you have a growing mass of have-nots, who are disruptive and unpleasant. Accordingly it's necessary to have a huge expansion of the military.

The United States is already far in the lead in conventional forces and weapons of mass destruction, actually it outspends the next fifteen countries. But that's not enough, it has to move to a new frontier which hasn't been militarized yet - space. That requires a violation of the Outer Space Treaty of 1967, which has been observed so far. It has prevented the militarization of space. The United Nations is aware of this, in fact the world is aware of this, so there's been a reaffirmation of the Outer Space Treaty for the last few years, passed almost unanimously with two abstentions: the United States and Israel (and probably next year India, which is keen to join the race to destruction, for reasons you can explain to me). The UN Conference on Disarmament has been stalled all year, for the same reason – it is trying to put a restriction on the militarization of space, and the US blocks this. All this goes unreported in the American press, for the usual reason. It's not wise to allow citizens to know of plans that put the survival of the species at serious risk. Extending the arms race to space is in fact the core programme, and it has been for years - it's not just Bush. "Race" is not a very good term since the United States is racing alone for the moment, though there are others eager to join - India for example has won a lot of respect from hawks and jingoists in the United States for its enthusiasm about this, which is in fact unique.

The plans to cross the last frontier to militarization of space are sometimes disguised as "missile defence", ballistic missile defence. Anybody should understand that when you hear the word "defence", you think "offence". Any offensive action is always called defence, and it's pretty straight in this case. One of the goals of militarization of space is to place offensive weapons, destructive offensive weapons, in space. And the goal is very frankly expressed. It takes real discipline for the educated classes to keep people from knowing this. It's all in public documents, very frank and clear for years, you can even read them on the internet. The goal, as the US Space Command documents explain, is to obtain global dominance, "hegemony" as they call it, and the purpose is (I'm quoting) "to protect US interests and investments". They also give a history. They say that in the past countries constructed armies and navies to protect and enhance commercial interests, but now there's a new frontier we can cross. We can take the next step in protecting and enhancing commercial interests and investment, namely the militarization of space.

Now this is known to be extremely threatening. There's no question about this, because of the predicted reaction among potential adversaries, or for that matter because of what are called "normal accidents" in the technical literature. A normal accident is the kind of accident you know is going to take place in any complicated system, you just can't tell when. And what's being planned are systems of great complexity, weapons of destructive power comparable to nuclear weapons, laser weapons powered by nuclear power, which itself is extremely dangerous in space. These weapons are to be on a hair-trigger alert, with automated launch-on-warning systems, because you can't take any chances. If anyone starts shooting down your

satellites, your system is gone. So you have automated systems of massive destructive power, which are likely to undergo normal accidents, and maybe wipe everyone out. This could be stopped, nobody doubts that it could be stopped, namely by treaty. But to stop it would be inconsistent with the prevailing value system. The prevailing value system is that hegemony is much more important than survival. And that's not new, in fact it's the history of hundreds of years, but the change now is that the stakes are far, far greater.

Back to globalization, the crucial point here is that these decisions are motivated by the expectations for globalization. Globalization is expected to lead to a widening divide, meaning failure in the technical sense but success in the doctrinal sense, and that requires weapons of mass destruction targeting the growing number of have-nots that globalization is expected to produce, and severely raising the threat to survival. And it's all very rational, within the framework of a kind of a lunatic system of institutions.

Well, let's return to "the greatest economic boom in American and world history". Remember that this was written before the crash, before the fiscal bubble crashed early this year, at a time when it really looked fantastic. Since World War II, there have been two sharply different phases in the world economy. There was a phase called the Bretton Woods period, from shortly after the second world war to the early 1970s, and then the neoliberal phase which followed it when the Bretton Woods regulations were broken down. The Bretton Woods system in the first period was based on regulation of capital flows, so states could regulate outflows and inflows of capital, and currencies were fixed pretty closely to

one another. That was terminated in the seventies. Of these two periods, it's the second that's called "globalization", though in fact international integration proceeded more quickly during the first period. But remember, this is a propagandistic sense of the term globalization, interpreted as neoliberal globalization. These two phases are quite different. Economists commonly refer to the first phase, the Bretton Woods phase, as a golden age, and to the second phase, the neoliberal phase, as a leaden age. And if you look at standard macro-economic indicators, that's exactly what you find. They all decline considerably during the globalization period. That's true of the rate of growth of the economy, of productivity growth, of capital investment. In fact, even trade – the growth of trade has declined during the globalization period. The interest rates have gone way up because countries, especially in the South, have to protect their currencies from attack. That slows down growth, increases financial volatility, and has many other harmful consequences.

Let's come back to that profound dilemma everyone's worried about: what are we going to do about the fact that globalization has created this enormous prosperity, but also led to rising inequality? Well, there's no dilemma. There's nothing to answer. There's no prosperity. In fact, globalization has reduced prosperity, even by standard macroeconomic measures, which are highly ideological, but even by those. And it's not controversial. Many economists attribute the severe economic deterioration during the globalization period to the liberalization of capital flows (Eatwell and Taylor to mention two prominent ones). You can debate that. So little is understood about the international economy that the causal relations are hard to establish. But the correlation is pretty clear, down to fine detail in fact.

What is even clearer is that financial liberalization does lead to an attack on democracy. That's not controversial. In fact, that was the primary reason why the framers of the Bretton Woods agreement, back in the 1940s, insisted on capital controls and regulation of currencies. They understood that this would provide some space within which countries could pursue social democratic policies, welfare state policies, without being overwhelmed by obstructive market forces. And they were right, capital control is needed to protect that space. Free movement of capital creates what's sometimes called a "virtual parliament", a parliament of investors and lenders who have veto power over government decisions, sharply restricting democratic options. Actually I'm quoting from technical papers in the economics literature. Free capital movement creates what's called a "dual constituency." Namely, voters as one constituency, and investors and lenders as the other constituency. And the investors and lenders conduct "moment by moment referendums" on government policy. If they don't like a policy because it's harming them, they veto it by withdrawing capital from that country or attacking the currency. And of course the second constituency, the investors and lenders, prevails over the first constituency. The voters can't compete with them, even in the rich countries. And that's one of the most striking differences between the current phase of globalization and the phase before World War I.

Again, this is well understood. Let me just quote from a standard history of the international financial system by a highly regarded American economist, Barry Eichengreen. He points out that before World War I, government policy had not yet been "politicised" by universal male

suffrage and the rise of trade unions and parliamentary labour parties. Therefore the very severe costs of market discipline, the costs imposed by the virtual parliament, could be transferred to the general population. Notice that the logic is exactly the same as that of structural adjustment in poor countries today: you impose the costs on the poor and they can't do anything about it. Now that's the way it was a hundred years ago. But that luxury was no longer available during the more democratic Bretton Woods period after the second world war. There was universal male suffrage, and parliamentary labour parties and unions, and furthermore the world population was very radical at that time. People had been greatly radicalized by the war and there was enormous popular support, including in the United States, for a welfare state programme. Therefore it was necessary to do something. What Eichengreen points out is that limits on capital mobility substituted for limits on democracy as a source of insulation from market pressures, which is quite true. The limits on capital mobility allowed democracy to function. He doesn't follow the argument to the next step, but we easily can. Dismantling the Bretton Woods agreement should lead and has led to a sharp attack on substantive democracy, just as you would expect. This is particularly striking in the United States and Britain, which are in the lead on this, but in fact it's happening world-wide.

This attack on democracy is a very significant feature of the current phase of globalization. And there are other components of the "Washington Consensus" with the same consequences. The basic idea of neoliberalism is to shift decisions, socio-economic decisions, to unaccountable concentrations of power. That's a central feature of the neoliberal reforms, privatisation for example. But remember, the powerful state remains to

protect the masters. They need state protection. Another attack on democracy is being negotiated right now, in secret as always, at the Geneva negotiations on GATS (General Agreement on Trade and Services). What is this general agreement on trade and services? What are these "services"? Services are anything that could be within the public arena: education, health, welfare, water resources, communication, anything like that. There's no meaningful sense in which what is at stake is "trade in services." It's just called trade so that you can put it under the trade agreement. If you privatize these government services, you can have a perfectly functioning democracy and it will do nothing because nothing is left in the public arena. So privatizing services, which is what these negotiations are about, essentially eliminates from the public arena anything (or virtually anything) that might be subject to popular decision-making. That's call trade in services, and naturally you have to negotiate that in secret. To the extent that anything leaks out about it, there is a huge public uproar.

The importance of protecting the public from information was revealed very dramatically at the April summit of the Americas. Every editorial office in the United States had on its desk two major publications, which were timed for release at the summit. One was by Human Rights Watch, the main human rights organization in the US. The second was by the Economic Policy Institute, a major economic analysis institute in Washington. Both studies investigated in depth the effects of NAFTA on working people in the three countries (the United States, Canada and Mexico). Now NAFTA was presented at the summit as a tremendous triumph, that's what George Bush said and that's how the headlines read, and it's very easy to see why both studies were totally suppressed. The

Human Rights Watch report described in extensive detail how labour rights were harmed in all three countries. The Economic Policy Institute report studied in detail how the wages, working conditions, etc., of working people were harmed in all three countries. This is one of those rare trade agreements which succeeded in harming everybody, in all three countries, at least apart from the people who count - they did fine.

If you look at the effects on Mexico, they are particularly instructive for countries like India, or for any place in the South. There, the effects of NAFTA were particularly severe. In fact, Mexico began the neoliberal reforms about twenty years ago and wages have declined steadily since then. That continued after NAFTA, with a 25 per cent decline for salaried workers and a 40 per cent decline for the self-employed. And these are underestimates because they don't take into account the fact that the number of unsalaried workers increased greatly. So the actual effects were even worse. Foreign investment, for its part, grew after NAFTA - big headlines. There were no headlines for the fact that total investment declined. So foreign investment went up but domestic investment went way down and the economy was transferred into the hands of foreign multinationals. The minimum wage lost 50 per cent of its purchasing power. Manufacturing declined and development stagnated, it may have reversed. Meanwhile trade between the US and Mexico did increase. However this increase related mainly to the component of trade that is internal to a firm, and that is centrally administered by a totalitarian system. That's called trade by economists, but it is not trade in any meaningful sense. If General Motors moves something to Mexico to be assembled, and sends it back to the United States for sale, that's not trade. If you discount that, trade between Mexico and the United States may well

have declined after NAFTA. Agriculture suffered a particularly severe blow for the usual reasons: Mexican farmers can't compete with highly subsidized US agro-business. These findings confirm what had been reported in the business press and academic studies, and the story is familiar around the world.

Most of this had been predicted by critics of NAFTA, but they were wrong in one respect. Most critics, including me, anticipated that there would be a sharp increase in Mexico's urban-rural ratio after NAFTA as hundreds of thousands of peasants were driven off the land. In fact, this did not happen. The urban-rural ratio remained the same. The reason apparently is that conditions deteriorated so badly in the cities that there was a huge flight of people to the United States, from both countryside and city. And those who survived the crossing (many did not) work for very low wages, without benefits, under awful conditions. The effect is to destroy lives and communities in Mexico, but that's not counted when you measure the effects of trade agreements. And it improves the US economy. One study of the Woodrow Wilson Foundation points out that consumption in the United States is subsidized by impoverishment of farm workers both in the United States and in Mexico. So it's a benefit for the economy, for the health of the economy.

These are the costs of NAFTA, and of neoliberal corporate globalization generally. But those are costs that professional economics chooses not to measure. It's a choice. You could measure those costs if you wanted to. They're called "externalities". We don't count them. But even by the highly ideological standard measures, which dismiss these, the costs have been very severe. And from what I've read, I understand that the same is

true in India. But none of this was allowed to disturb the celebration of NAFTA and the Free Trade Agreement at the Summit of the Americas. In fact, unless people are connected to activist organizations, they cannot know any of this. They may know in their own lives or in the lives of people near them, but they can't know that this is the general situation. And one effect of this is to make people feel like failures. There's a fairy tale economy out there, but my income is declining, and the people around me work harder, and so on. So there must be something wrong with us. In fact "us" happens to be almost everybody. For about 75 per cent of the US workforce, wages have stagnated or declined over the last 25 years, and the only way incomes are kept up is by increasing working hours. That's globalization in the richest country in the world. People around the middle of the American working class -- who are called middle-class Americans -- work about a month extra a year per family just to keep wages stagnant. That's by now perhaps the highest workload in the industrial world.

That picture generalizes around the world, with some variations. The main exceptions are countries which did not follow "the religion that markets know best". I'm quoting here from the latest Nobel Prize Laureate in economics, Joseph Stiglitz, in an article he wrote just before he was appointed Chief Economist of the World Bank, a position which he did not keep very long because he kept making such annoying statements. He was kicked out. But what he said is correct. The countries that didn't follow the religion that markets know best did succeed in extensive growth during the neoliberal period. Almost everywhere else, it was as I have just described, worse for countries like Mexico than for the United States.

Furthermore this is expected to continue. If you look at the provisions of the World Trade Organization, they deprive countries of exactly the mechanisms that were used for development. All of them are based on market interference. There isn't a single rich, developed country that didn't rely crucially on extensive market interference. That holds from England up to the East Asian NICs, and the United States dramatically. If the United States had followed the principle of comparative advantage that the poor must accept under contemporary neoliberalism, it would now be exporting fish. It would certainly not be exporting textiles. The only way it could develop textiles was through extremely heavy protectionist barriers that kept superior British textiles out. Actually the reason Britain was producing textiles is because it did the same thing to India. It imposed heavy duties to keep Indian textiles out, and not just textiles, but also ships, steel, iron, manufacturing, all sorts of things, because they couldn't compete. Meanwhile India was compelled to follow liberal rules. It became what economic historians call "an ocean of liberalism," and the results are obvious. Countries like the United States couldn't have developed a steel industry, for the same reason. British steel was superior, just as Indian iron had been superior to British iron a century earlier, and it was changed the same way. And this goes right up to the present.

Often a military cover is used for this. The dynamic source of the US economy is under the cover of the military system. It's a massive state sector of the economy. That includes just about everything, the whole "new economy", you know, electronics, computers, internet, telecommunications. You just go through the list, it's mostly developed under a military cover. And if you look at the WTO rules, you'll notice

that they have a way of dealing with this. They allow for what's called a national security exemption. So you're allowed to violate the rules on grounds of national security. Okay, for Haiti that doesn't help much. But for the United States it helps quite a lot because it includes virtually the whole economy. The whole economy can be developed within a national security exemption by placing it under the cutting edge of the military, and that's exactly what is done. You can hear Alan Greenspan speaking about the wonders of the entrepreneurial economy and rugged individualism and so on, and he even lists examples of these things. If you look at these examples, every single one of them was developed in the state sector, extensively, over a long period. And it's inconceivable that he doesn't know this, this is common knowledge, but it's not the kind of information that people have the right to.

All this is dramatically clear from economic history. Just ask yourself the simple question: which countries developed? Well, the countries that developed were Europe, North America, Japan, a couple of the countries in the Japanese colonial system, and that's about it. The rest of the world not only didn't develop, but it was pretty much destroyed. There's a characteristic in common to the countries that developed - they maintained their sovereignty; they were not colonized. And the correlation is extremely close, there are few correlations like that in history. Countries that maintained their own sovereignty and were able to violate the rules and integrate themselves into the economic system on their own terms, many of them did develop. Countries that lacked sovereignty and were subjected to external control, without only marginal exceptions, did not develop. Again, it takes a lot of discipline for economists and other intellectuals not to notice this fact. It's quite striking. Under the

contemporary versions, Britain succeeded in developing a textile industry by destroying the superior Indian textile industry and by protectionist devices and state intervention. But textiles were based on cotton, and cotton was cheap, and why was cotton cheap? Well, cotton was cheap because of an institution called slavery. Slavery is a rather severe market interference. But when you study market economies you don't count that. You don't count the fact that there was a massive market interference, based on state violence of the most extreme kind, that kept the basic commodity cheap. Cotton was like oil today, and in fact oil is kept cheap the same way. A huge part of the Pentagon budget is directed towards maintaining the price of oil within a certain range. A few studies count that about thirty per cent of the oil price is a subsidy, and there are plenty of other energy subsidies. Well, those things just aren't counted.

But even if you take the things that are counted, the facts are very clear. Under the current version of traditional mechanisms, about half the population of the world right now is literally in receivership. That means their economic policies are managed by bureaucrats in Washington. But even in the rich countries, democracy is under attack by virtue of the shift of decision-making from governments, which may be partially responsible to the population, to private tyrannies that don't have those defects. They are unaccountable, so they're fine. Shift decisions to them, everything's great. And that has very striking effects.

Take, say, Latin America. Latin America has undergone a wave of democratization in the past fifteen years. Military dictatorships were replaced by democracies. But academic specialists who follow this closely have been observing for years that as democracy is extended in

Latin America, disillusionment with democracy is increasing. And that trend continues. A recently-released study revealed that about half the population of Latin America would now support democracy and about half would be willing to accept military dictatorship. The military dictatorships in Latin America were extremely brutal affairs, but after the wave of democratization about half the population wouldn't mind if they came back. And the reasons are very clear. They're reported, in fact, even in the business press. Commenting on this, the London Financial Times said that the reason is an alarming trend which links declining economic fortunes with a lack of faith in the institutions of democracy. And the reason is that this much-praised new wave of democracy happened to coincide with neoliberal economic programmes which undermine democracy. So you get more formal democracy and more disillusionment with democracy. And indeed Latin America, which has followed the rules most religiously, has been one of the regions that had the worst economic record. It's a correlation that holds world-wide.

That also holds for the United States. I'm sure you read a lot about the big clamour about the "stolen election" of November 2000, you know those Florida votes, the Supreme Court, and so on. If you read closely you'll notice that there was a huge issue for the press and elite commentators: they were very surprised about the fact that the public just didn't care. The public expressed no concern over the fact that the election was stolen. And the reasons are very clear from extensive public opinion studies. They reveal that on the eve of the election (well before the Florida shenanigans) about seventy-five per cent of the population regarded the whole process as a farce. It was a game played by rich corporations who do the funding, party leaders who are all crooks, and the public relations

industry, which is just crafting candidates to say things that you can't believe even if you can understand them. So who cares what happens? If it's stolen, what's the difference? It doesn't make any difference anyway. As these same studies reveal, there is a measure of what they call "helplessness", an inability to affect anything that happens. That's been going up very fast. It hit its highest level last November, with about half the population saying that people like us have little or no influence on what government does. That's a very sharp rise right through the neoliberal period. Where there are issues that separate the public from the business world, they simply don't appear on the agenda. Take international economic issues. The public has very strong feelings on this, and business has very strong feelings, but they're opposite feelings. Accordingly, these issues cannot arise in the campaign. The Free Trade Area of the Americas, for example, could not be mentioned in the campaign. And that's true in general of these things called "free trade agreements". Actually, the business press more accurately calls them "free investment agreements". That's what we ought to call them. The free investment agreements are opposed by the public, supported by the business world and elites generally, therefore they cannot appear as issues in electoral campaigns.

The constitutional system in the United States was actually designed, very consciously, to have this effect. James Madison, who was the main framer in the constitutional convention, explained that the goal of government is "to protect the minority of the opulent against the majority." To achieve this, he said, political power must be placed in the hands of the "wealth of the nation," men who can be trusted to secure "the permanent interests of the country." which are the rights of the property owners, and to defend

these interests against what he called "the levelling spirit" of the general population. And that continues to the present. It takes various forms, but that same principle is a leading principle of progressive political thought. Technical political scientist-types who write about these things say that it is wrong to describe the United States as a democracy, it should be described as a polyarchy. That is, a system where elites rule and the public ratifies. The public is supposed to show up every couple of years and say, you make the decisions, and then go home and buy shoes or something like that. That's the ideal system, and from that point of view the November 2000 election didn't reveal a flaw of American democracy, but revealed its triumph. And that triumph has been greatly enhanced by the neoliberal programmes.

Throughout all this, a crucial element is restriction of information. That's why there is a huge public relations industry. They tell you what they are doing, it's not a secret. Back in the 1920s, one of the founders of the PR industry (a kind of Roosevelt-Kennedy liberal) wrote in a classic manual that the goal of the industry is to regiment the public mind every bit as much as an army regiments the bodies of its soldiers. Indeed, that's necessary, you can't have democracy otherwise. Unless the population is totally regimented, you can't allow democracy, because the population will do what they want, and that won't be securing the permanent interests of the country, namely the rights of the rich who have to be protected from the majority. This is quite conscious, there's nothing secret about it. It's the standard political science literature, supported by major figures like Joseph Schumpeter, Walter Lippmann and others.

The struggle to impose that regime takes many forms, and it never ends. It's going to continue as long as there are high concentrations of power controlling decision-making. And it's only reasonable to expect the masters to exploit every opportunity that they have, at the moment the fear and anguish in the face of the terrorist attacks. But there's absolutely no reason to accept those rules, and fortunately many people are rejecting them. There has been a very impressive increase of opposition in recent years, taking totally new forms. It mostly developed in the South, with the North joining recently. The masters of the universe are very scared. They recognize what is happening. The meeting in Qatar, I'm sure you know, is an expression of the fear that the public may become involved. If they could figure out how to meet in a space shuttle, they'd meet there. Just keep the public away, because it's too dangerous. Every time the public breaks through, there is panic in the business press, literal panic. They know their control is extremely fragile; it can be destroyed at any time. It's mainly a matter of not accepting the injunction to be passive and acquiescent and to realize that power actually is in the hands of populations, particularly in the more free and democratic societies where it's impossible to use really massive force and violence to suppress the general population. These popular movements are unprecedented in scale. There's been nothing like them in history, in the range of constituency and in international solidarity. And I think the future, to a very large extent, lies in their hands - and it's very hard to overestimate what is at stake.